



MALTA RESOURCES AUTHORITY

Decision Notice 03/2013/ED

Decision of the 30th September 2013 issued in virtue of the Malta Resources Authority Act (Cap.423 of the Laws of Malta) to Liquigas Malta Ltd (C44954) and Gasco Energy Ltd (C44953) with regards to the proposal for amendments in the methodology regarding the product cost (LPG) that can be included in the LPG Price Mechanism applicable from 1st October 2013.

Whereas the Authority has established an LPG Price Mechanism which in January 2013, was revised with respect to the methodology and cost factors that could be included therein.

Whereas in August 2013, the Minister for Energy and the Conservation of Water requested the Authority to evaluate the possibility of implementing a price stabilisation mechanism on the LPG cylinder prices as sold by Liquigas Malta Ltd.

The Authority subsequently discussed possible price stabilisation measures with Liquigas Malta Ltd (C44954) ('Liquigas').

Liquigas indicated that price stabilisation could be achieved through LPG Undertakings that are negotiated in large quantities and which are subsequently delivered over a staggered period of time according to demand requirements. Such a contract could be negotiated with Liquigas' mother company, given that the latter enjoys sufficient economies of scale in the traded volumes of LPG.

Given this proposal from Liquigas Malta Ltd, Decision Notice 02/2013/ED is to be amended accordingly in order to permit this possibility to take place.

In view of the Authority's function to:

- regulate, monitor and keep under review all practices, operations and activities relating to energy;
- to regulate the price structure for any activity regulated by the Malta Resources Authority Act and where appropriate to establish the mechanisms whereby the price to be charged for the acquisition, production, manufacture, sale, storage and distribution thereof is determined;

the Authority is hereby issuing this Decision:

Amendment to Decision Notice 02/2013/ED,

Prior to the last paragraph under item (2) the following is to be included in that decision:

“Provided that when Liquigas Malta Ltd has provided the MRA with an Undertaking that it will keep the maximum retail prices stable for at least three months, or for such other periods of time as approved by the Authority, and subject to the agreement of the MRA, the retail price arising from such an Undertaking shall remain applicable for the period of the Undertaking.

Provided also that:

- a. the retail price must not exceed the calculated retail prices using the price mechanism based on the first consignment following such undertaking; and
- b. the product cost must not exceed by more than 5% of the sum total of:
 1. the average West Med FOB price for LPG for the period of three (3) working days prior to the date of the Undertaking; and

2. the actual premium paid, which is to reflect the primary transport and supplier's charge and which must be supported by the relevant documentation as may be applicable. In the absence of such documentation it will be deemed that the said premium is of \$69 per metric tonne for the purpose of this calculation.

For the purpose of paragraph (1) and (2) above, Gasco-Liquigas are to submit to the Authority within **2** days from the Undertaking's date:

- i. a copy of West Med FOB price data for relevant period as established in para (1) above. This data shall be subject to verification by the Authority at its sole discretion;
- ii. A copy of consignment invoice on which the Undertaking is based;
- iii. A copy of the relative bill of lading.

The above is without prejudice to any other type of information and, or documentation which may be required by the Authority within the period of the Undertaking.

Francis Cassar

Chairman

Malta Resources Authority